

AR44

DYNASTY EXPLORATIONS LIMITED

SIXTH
ANNUAL
REPORT
1970



DYNASTY EXPLORATIONS LIMITED

DIRECTORS Dr. Aaro E. Aho, West Vancouver, B.C.
R. E. Gordon Davis, Vancouver, B.C.
John Bruk, West Vancouver, B.C.
H. R. Whittall, Vancouver, B.C.

OFFICERS Dr. Aaro E. Aho, President
R. E. Gordon Davis, Executive Vice-President
John Bruk, Secretary and General Counsel
John S. Brock, Vice-President—Exploration
Selwyn B. Jones, Vice-President—Corporate

SOLICITORS Lawrence & Shaw, Vancouver, B.C.

AUDITORS McDonald, Currie & Co., Vancouver, B.C.

TRANSFER AGENT The Guaranty Trust Company of Canada
Vancouver, Calgary, Winnipeg, Toronto, Montreal

HEAD OFFICE 330 - 355 Burrard Street
Vancouver 1, B.C.

ANNUAL MEETING Tuesday, May 18th, 1971 at 10:00 a.m.
Vancouver Island Room, Hotel Vancouver,
Vancouver 1, B.C.



*Cover: First tent camp on Faro orebody
before discovery, June 1965; photo by
A. E. Aho*

*Ore extends from present pit (inset) in
the background to beyond lower left
corner; mill is at upper extreme left.*

REPORT TO SHAREHOLDERS

Previous annual reports have traced our progress from discovery of the Anvil Mine through development into production and re-entry into active mineral exploration. The cover photograph, taken over the Faro orebody before its discovery, inspires us onward to further exploration success.

Dynasty's main assets are its 40% interest in Anvil Mining Corporation, its 24.2% interest in Atlas Explorations, and 60% interest in 1970 mineral exploration projects with Atlas. Other avenues of wider corporate growth are being studied.

ANVIL MINING CORPORATION (40% Dynasty; 60% Cyprus Mines Corporation)

1970 marked the first full year of production from the Anvil lead-zinc mine at Faro, Yukon. During the year, Anvil shipped lead concentrate containing 126,503,000 lbs. of lead and 1,498,000 ozs. of silver, and zinc concentrate containing 142,517,000 lbs. of zinc. These concentrates had a total sales value of \$40,515,000 and were sold to Japanese smelters under an 8-year sales agreement.

Anvil's 1970 net income before interest on debt owed to its two parent companies, was \$1,428,000. Earnings were below expectations, primarily because of first-year start-up problems. Early in the year the ore grade milled was lower than planned, and throughout the year operating costs were higher than anticipated and metal recoveries were below planned levels.

Progress has been made in solving these problems and considerable improvement has been effected. Metallurgical test work on a full plant scale has recently indicated methods by which important improvement can be made in metal recoveries and concentrate grades, particularly for zinc.

External factors which adversely affected Anvil's financial results during 1970 were the decline in price of lead, high ocean freight rates and an increase in Canadian dollar foreign exchange rate. Despite weakened demand for zinc during the year, the world producer price held firm and the current outlook is for more stable lead price and eventual improvement in zinc.

Milling facilities were expanded during the year to a capacity of 6600 tons per day in order to produce 90,000 tons per year of bulk lead-zinc concentrate for a West German customer. Ore reserves at the end of the year were 63,473,000 tons averaging 3.41% lead, 5.72% zinc and 1.20 oz/ton silver.

MINERAL EXPLORATION

During 1970, extensive regional and detailed mineral exploration was carried out on a 60/40 Dynasty/Atlas joint venture basis.

Exploration projects for 1971 have been reduced because of budgetary restrictions and difficulties of financing due to threat of increased taxation and restrictive regulations. However, work is being focussed on the Anvil district, other properties are to be explored under joint ventures, and some primary exploration is to be continued.

Dawson Range (Victor Project)

Regional and property exploration, consisting of geologic, geochemical and geophysical search for porphyry copper-molybdenum deposits, was carried out over 16,000 square miles of this relatively virgin mineral belt in which the large low-grade Casino deposit was discovered in 1969. Five properties totalling 723 claims were explored including 3500 feet of diamond drilling in a joint venture on the Klazan property, which showed low values. Three new properties totalling 365 claims were staked.

In the Nisling range, the Max property, covering numerous copper-molybdenum occurrences, complex intrusive activity, silification, brecciation and coincident magnetic-geochemical anomalies, is to be explored and drilled in 1971 under a new joint venture.

Followup work is being considered in other localities of interest since this unglaciated mineral belt probably contains economic deposits that are leached, weathered down and covered by overburden.

Anvil District (Tintina Project)

Regional exploration along the Tintina Trench, started in 1969, was

continued in the Magundy and Fyre Lake areas in 1970. From August to December work was concentrated in the Anvil district and 205 claims were staked over previously unrecognized sections of the favourable phyllite belt. Geologic, geochemical and geophysical surveys were carried out and one 650-foot hole was diamond drilled to test a coincident gravity-magnetic anomaly with negative results.

The known Faro, Vangorda and Swim deposits of massive sulphides have been found at intervals from 6 to 12 miles apart in the phyllites near the present fortuitous erosion surface, extensive overburden areas are still unexplored, and chances of discovery by new techniques are considered excellent. In May 1971, a deep-penetrating airborne electromagnetic survey is to be flown, followed by ground surveys and drilling. If Atlas does not contribute to the 1971 program it will retain 20% interest and can reinstate its 40% by paying double its share of expenditures up to any time within the calendar year.

Some of this work is to be co-ordinated with exploration being done independently by Anvil Mining Corporation. Discovery of new reserves on Anvil's holdings would also benefit Dynasty and could lead to improved operations and smelter feasibility.

Other Projects

Mapping was carried out in the Tantalus coal basin in Yukon and one coal license is retained at Walsh Creek for future drill testing of a lignite coal occurrence.

Diamond drilling was carried out on three joint venture projects, Whiterocks near Kelowna, B.C., Mercury-Endako, B.C., and Cub Creek, Yukon, but all were terminated due to inconclusive or negative results.

Numerous properties were examined in British Columbia, Yukon, Alaska and Washington State, none of which were considered suitable for continued exploration.

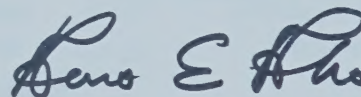
Primary exploration is planned by Dynasty in the copper-molybdenum belt of southern British Columbia-Washington where costs are lower and season is longer, as well as in other areas.

ATLAS EXPLORATIONS LIMITED

Atlas has had a difficult year mainly due to closure of gas wells in Lake Erie, shut-down of the Quetena mine in Chile and decrease in value of its Dynasty shareholdings. However, gas production will resume shortly; agreement has been reached in principle with a Chilean government agency to negotiate a joint venture to proceed with cubication-feasibility and production from the Sierra Gorda copper-molybdenum deposit; several promising mineral properties in Yukon are to be explored by joint venture; and Atlas has participation in exploration in the Anvil district.

We look forward to continued improvements in Anvil and successful exploration in 1971 and wish to thank investors, personnel and associates who have all contributed to our progress.

Respectfully submitted on behalf of the Board of Directors,



AARO E. AHO
President.

May 5th, 1971

DYNASTY EXPLORATIONS LIMITED


BALANCE SHEET

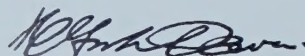
as at December 31, 1970

ASSETS	1970 \$	1969 \$
CURRENT ASSETS		
Cash and short-term deposits	602,802	1,143,687
Marketable securities—at quoted value (1970 - cost \$62,750; 1969 - cost \$61,123, quoted value \$50,610)	37,198	61,123
Accounts receivable	28,382	5,416
Prepaid expenses	5,000	
	<u>673,382</u>	<u>1,210,226</u>
INVESTMENTS (notes 1 and 2)	11,503,905	11,064,358
PARTICIPATION IN EXPLORATION JOINT VENTURES, at cost (notes 1 and 3)	743,261	254,913
FIXED ASSETS, at cost less accumulated depreciation and amortization (1970 - \$62,778; 1969 - \$50,516)	94,891	47,887
ORGANIZATION COSTS	6,629	6,629
	<u>13,022,068</u>	<u>12,584,013</u>

LIABILITIES	1970 \$	1969 \$
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	87,733	3,501
LONG-TERM DEBT (note 4)	6,960,892	6,768,257
	<u>7,048,625</u>	<u>6,771,758</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5)		
Authorized— 10,000,000 shares of the par value of \$2 each		
Issued and fully paid— 2,988,700 shares (1969 - 2,973,100 shares)	2,195,950	2,164,750
SURPLUS	3,777,493	3,647,505
	<u>5,973,443</u>	<u>5,812,255</u>
	<u>13,022,068</u>	<u>12,584,013</u>

SIGNED ON BEHALF OF THE BOARD

 Director

 Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Dynasty Explorations Limited as at December 31, 1970 and the statements of earnings, surplus and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
April 7, 1971

McDonald, Currie & Co.
Chartered Accountants

NOTE—The 1969 figures have been presented on a basis comparative with 1970.

STATEMENT OF SURPLUS
for the year ended December 31, 1970

	1970 \$	1969 \$
CONTRIBUTED SURPLUS		
Balance - beginning of year	3,731,509	733,144
Add: Premium arising from sale of 200,000 shares		2,600,000
Premium arising from issue of shares (1970 - 15,600; 1969 - 35,200) on conversion of debentures (<i>note 4</i>)	188,346	410,063
	3,919,855	3,743,207
Less: Cost of financing		11,698
Balance - end of year	3,919,855	3,731,509
DEFICIT		
Balance - beginning of year	84,004	72,119
Add: Loss for the year	58,358	11,885
Balance - end of year	142,362	84,004
TOTAL SURPLUS	3,777,493	3,647,505

STATEMENT OF EARNINGS
for the year ended December 31, 1970

	1970 \$	1969 \$
INCOME		
Bond and short-term deposit interest	509,669	519,577
EXPENSES		
Administration	67,514	35,023
Audit	2,366	3,965
Depreciation and amortization	12,259	13,208
Debenture interest	412,181	445,385
Legal	20,655	22,446
Miscellaneous	11,392	4,182
Shareholders' reports	10,868	6,912
Stock exchange	207	225
Travel	2,414	873
Trust Company	11,753	12,451
Anvil Mine opening	21,826	
	573,435	544,670
Less: Expenses recovered	29,333	13,208
	544,102	531,462
OPERATING LOSS BEFORE EXTRAORDINARY ITEM	34,433	11,885
EXTRAORDINARY ITEM		
Write-down of marketable securities from cost to quoted value	23,925	
LOSS FOR THE YEAR (note 7)	58,358	11,885

**STATEMENT OF SOURCE AND
USE OF WORKING CAPITAL**
for the year ended December 31, 1970

	1970 \$	1969 \$
SOURCE		
Capital stock issued		3,000,000
USE		
In operations	73,466	9,184
Investments		1,560,000
Participation in exploration joint ventures	488,348	254,913
Financing costs		11,698
Fixed assets—net	59,262	(725)
	621,076	1,835,070
(DECREASE) INCREASE IN WORKING CAPITAL	(621,076)	1,164,930
WORKING CAPITAL—BEGINNING OF YEAR	1,206,725	41,795
WORKING CAPITAL—END OF YEAR	585,649	1,206,725
REPRESENTED BY:		
Current assets	673,382	1,210,226
Less: Current liabilities	87,733	3,501
WORKING CAPITAL	585,649	1,206,725

NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 1970

1. VALUES

The amounts shown for investments and participation in exploration joint ventures represent costs to date and are not intended to reflect present or future values.

2. INVESTMENTS

(a) Public companies

	Shares		Cost \$	Carrying value \$
	Number	Quoted value \$		
Atlas Explorations Limited	1,200,166	732,101	3,573,396	3,573,396

(b) Private companies

	Shares		Bonds \$	
	Number	Cost \$		
Anvil Mining Corporation Limited	600,000	375,958	6,312,000	6,687,958
Pelly River Mines Limited (N.P.L.)	100,000	25,714		25,714
Westrim Mining Corp. Ltd. (N.P.L.)	135,000	19,000		19,000
		<u>420,672</u>	<u>6,312,000</u>	<u>6,732,672</u>

Accrued interest on 7½ %
income bonds, series D,
(\$1,122,116 U.S.)

1,197,837

TOTAL

7,930,509

11,503,905

Atlas Explorations Limited

The Company holds 40% and Cyprus Mining Corporation of Los Angeles, California holds 60% of the issued shares of Anvil. Under the terms of a financing agreement the Company loaned to Anvil \$5,600,000 U.S. to maintain this 40% interest. The bonds are:

(i) General Mortgage bonds, series C, without interest	250,000
(ii) 7½ % Income bonds, series D, (\$5,600,000 U.S.)	6,062,000
	<u>6,312,000</u>

These bonds constitute a second fixed and floating charge on the assets and undertakings of Anvil. All principal and interest accruing is to be repaid out of net income of Anvil as defined in the Second Trust Deed of Anvil.

Atlas Explorations Limited

The Company holds approximately 25% of the issued shares of Atlas, and has the right on the occasion of each new issue of Atlas treasury shares, to acquire sufficient shares to maintain its percentage interest.

Pelly River Mines Limited (N.P.L.) is an exploration company controlled by Anvil.

Westrim Mining Corp. Ltd. (N.P.L.) is a company involved in mineral exploration.

3. PARTICIPATION IN EXPLORATION JOINT VENTURES

The Company entered into an agreement with Atlas Explorations Limited whereby the companies could participate in all new projects initiated by either company with share interest and cost of each project to be sixty per cent (60%) for Dynasty and forty per cent (40%) for Atlas. In addition Dynasty and Atlas gave each other the right of first refusal to participate in their existing projects.

4. LONG-TERM DEBT

Under a Trust Deed of March 1, 1968, the Company has issued the principal amount of \$6,500,000 of 7% Convertible Collateral Income Debentures, to mature April 1, 1982. Each \$1,000 principal amount of debentures is convertible at the holder's option into 80 fully paid and non-assessable shares of the Company at any time until April 1, 1975 or until such later date at which at least one full year's interest on the debentures has been paid. The Company may at any time redeem these debentures together with interest accrued, payable (as defined in the Trust Deed) and unpaid upon notice to the holders who then have a thirty-day period within which to convert at their option.

As at December 31, 1970 the outstanding principal and interest is as follows:

	Principal \$	Interest \$	Total \$
Balance—beginning of year	6,060,000	708,257	6,768,257
Add: Accrued interest		412,181	412,181
	<u>6,060,000</u>	<u>1,120,438</u>	<u>7,180,438</u>
Less: Converted to shares during the year ..	195,000	24,546	219,546
Balance—end of year	<u>5,865,000</u>	<u>1,095,892</u>	<u>6,960,892</u>

Interest accrues on these debentures from date of issue, but payment of interest is subject to the availability of Net Cash Income of the Company as defined in the Trust Deed.

All funds to be received from Anvil must be paid to the Trustee for the retirement of the debentures and for payment of interest (except for an amount of up to \$50,000 per year for corporate and administrative costs of the Company).

5. CAPITAL STOCK

As at December 31, 1970 capital stock issued was as follows:

	Number of shares	\$
Balance—beginning of year	2,973,100	2,164,750
Issued during the year		
For debentures converted	15,600	31,200
Balance—end of year	<u>2,988,700</u>	<u>2,195,950</u>

Subject to the terms of the debenture issue (note 4) the Company has reserved 469,200 shares for future conversions. The Company has agreed to offer to Cyprus Mines Corporation on the occasion of each new issue of the Company's equity securities 20% of the total of such new issues on the same terms as such issues are offered to others.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year no directors' fees were paid. Atlas and Dynasty share management, employees, premises and overhead expenses on the basis that Atlas incurs these expenses and charges to Dynasty its pro rata share. Dynasty's portion of the remuneration which was paid to senior officers including directors and consulting companies controlled by them amounted to \$44,726. In addition, a net retainer for legal services rendered of \$19,000 was paid to a legal firm of which a director and officer is a member.

7. EARNINGS PER SHARE

The major portion of the Company's efforts are spent in the exploration and development of mineral properties which have not yet produced income.

DYNASTY EXPLORATIONS LIMITED

STATEMENT OF SOURCE
AND USE OF WORKING CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 1970
(Subject to Audit)

	1970 \$	1969 \$
SOURCE		
Capital Stock Issued — 200,000 shs.	—	3,000,000
USE		
Operations:		
Loss for the six months	20,510	45,061
Items not a source or (use) of Working Capital:		
Interest income —		
7½% income bond	223,901	225,540
Interest expense —		
7% debenture	(205,229)	(224,138)
Depreciation and amortization	(6,774)	(7,886)
Net funds used in operations	32,408	38,577
Investments:		
Atlas Explorations Limited 600,000 shs	—	1,560,000
Participation in Exploration Joint Ventures	240,863	63,449
Fixed assets — net	—	(724)
	<u>273,271</u>	<u>1,661,302</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(273,271)	1,338,698
WORKING CAPITAL — BEGINNING OF PERIOD	1,145,602	(19,328)
WORKING CAPITAL — END OF PERIOD	<u>872,331</u>	<u>1,319,370</u>
REPRESENTED BY:		
Current Assets	896,832	1,343,121
Current Liabilities	24,501	23,751
Working Capital	<u>872,331</u>	<u>1,319,370</u>

DYNASTY EXPLORATIONS LIMITED

STATEMENT OF EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 1970
(Subject to Audit)

	1970 \$	1969 \$
INTEREST INCOME		
7½% Income Bonds	223,901	225,540
Other	40,195	16,217
	<u>264,096</u>	<u>241,757</u>
EXPENSES		
Interest Expense —		
7% Debentures	205,229	224,138
Other expenses	79,377	62,680
	<u>284,606</u>	<u>286,818</u>
LOSS FOR THE PERIOD	<u>20,510</u>	<u>45,061</u>

TO ENSURE RECEIVING COMPANY INFORMATION FROM
TIME TO TIME, SHAREHOLDERS ARE URGED TO REG-
ISTER THEIR SHARES WITH THE TRANSFER AGENT,
GUARANTY TRUST COMPANY OF CANADA.

AR44

DYNASTY EXPLORATIONS LIMITED

330-355 BURRARD STREET
VANCOUVER, B.C.
CANADA

INTERIM REPORT

JUNE 30, 1970

STATEMENT OF EARNINGS AND
STATEMENT OF SOURCE AND USE OF WORKING CAPITAL
FOR THE SIX MONTHS ENDING JUNE 30, 1970.

DYNASTY EXPLORATIONS LIMITED

To our Shareholders:

Anvil Mining Corporation

Reporting to the second quarterly board meeting held at Faro, Yukon, on July 22, Anvil Mining Corporation management emphasized that goals will be met now that ore grade is normal, expansion construction is complete and mill modifications and improvements are taking effect.

The most significant improvement was in the pit where check diamond drilling in the upper part of the orebody has verified reserves to be mined during the next five years, and has slightly increased the original estimate of tonnage and grade. In June, the grade of ore milled averaged 11.95% combined, more than the planned grade of 10.8% and of only 8.4% milled in the first quarter.

Mill modifications and expansion to 6600 tons per day to produce bulk concentrates are now essentially complete. Although metal recoveries still remain below projected levels, acceptable concentrate grades are being produced and metallurgy is steadily being improved and is expected to reach projected levels.

The value of concentrate production was considerably higher in June than in previous months although non-recurring cost factors related to pit and mill modifications have counteracted the effect of higher production on net income.

During late June, a favourable 18-month time charter was arranged for transportation of concentrates to Japan. The White Pass & Yukon rail strike does not affect concentrate production and provision has been made for stock piling in the interim.

The new town of Faro is maturing rapidly with a rising number of married employees, thus increasingly stabilizing the work force. An excellent film has been prepared on the Anvil operation and is to be shown to shareholders and others in the near future.

Mineral Exploration

An intensive program of mineral exploration has been proceeding in Yukon and British Columbia under the Dynasty-Atlas joint venture. Some results are encouraging but it is yet too early in the season to evaluate their significance.

Through its 25% interest in Atlas Explorations, Dynasty also has a substantial indirect interest in a rich new copper-molybdenum discovery on the Sierra Gorda project in Northern Chile. Drilling during the past year

had already indicated a potential of 30 to 50 million tons grading 0.6% to 1% copper molybdenum equivalent at a depth of 450 feet. The latest vertical drill hole in June returned an exceptional 413-foot intersection averaging 2.13% copper and .182% molybdenum disulphide, or about 2.5% Cu/MoS₂ equivalent with some 10-foot sections assaying over 5%. This indicates a significant zone of higher grade, extent yet unknown.

Chapman, Wood and Griswold of Vancouver have been engaged to start a feasibility study and their preliminary report should be available shortly. In the meantime, further project planning is in progress and it is fully anticipated that this discovery will make a substantial contribution to economic planning. Investment climate for future development in Chile is favourable.

Conclusion

The new Anvil operation is smoothing out as planned to attain feasibility projections.

Through Atlas Explorations in Chile, Dynasty is participating in what definitely appears to be a second major discovery by the same organization, the Anvil mine having been our first in 1965.

August 7, 1970.



Aaro E. Aho,
President.

ANVIL MINING CORPORATION LIMITED

SUMMARY OF OPERATIONS

	1970 Results	
	3 Months To June 30	6 Months To June 30
ORE		
Tons Milled (D.S.T.)	469,000	922,000
% Lead	4.2	3.7
% Zinc	6.4	5.8
CONCENTRATES PRODUCED		
Lead Concentrate (D.S.T.)	20,644	35,564
% Lead	67.0	67.5
Zinc Concentrate (D.S.T.)	40,241	70,714
% Zinc	49.5	49.5
AVERAGE METAL PRICE		
Lead — ¢ per pound	14.8	15.6
Zinc — ¢ per pound	14.6	14.6
	\$(000)	
Net Market Value of Production	6,975	12,473
Production and Operating Costs	5,335	9,867
Depreciation and Amortization	659	1,211
Interest Expense	1,291	2,570
	7,285	13,648
Net Loss	310	1,175